

The American Journal of Transportation

WAREHOUSING & DISTRIBUTION 2006 - Virginia diversion East Coast strategy provides Johnson Electric logistics flexibility

June 6, 2006

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Johnson Electric was looking to consolidate its East Coast distribution operations. To accomplish that end, it turned to its long-time logistics provider, Evans Distribution Systems.

Johnson Electric, a Hong Kong-based company and a manufacturer of electric motors, is a major supplier to the US automotive industry. Evans Distribution, based in Melvindale, Michigan, near Detroit, has a legacy since 1929 of providing warehousing, as well as other logistics services, to the same industry.

When Evans expanded its distribution operations to Hampton Roads, VA, in 2004, Johnson Electric went along for the ride. The manufacturer was seeking an East Coast hub and it was natural that it make the move to Virginia along with a company with which it enjoyed an excellent relationship since the 1990s. Johnson also derived an additional bonus from the move, at least for a time: reducing its transportation costs and improving delivery times by diverting half of its imports from China off-loaded at the Port of Norfolk.

“Our purpose for locating in Virginia was two-fold,” said Kevin Turner, manager of regional logistics at Johnson Electric. “We wanted to take advantage of the all-water service and we wanted to consolidate our East Coast distribution. We went with the Suffolk facility in conjunction with the all water strategy and also because we already had a partnership with Evans.”

Johnson Electric manufactures automotive motors that go into power door locks, mirrors, wipers and washers, ABS brakes, radiator fans, and fuel pumps. Other Johnson motors can be found in printers, DVDs, CD ROMs, copiers, and vending machines. The company’s manufacturing base is in China.

Evans Distribution Services is a third-party warehousing, packaging, and transportation provider serving the automotive, manufacturing, beverage, and chemical industries. Most of the company’s 200 employees work in Michigan but others are located at a facility in Devens, MA, near Boston, and in the 92,500-square-foot facility in Suffolk, VA.

“The normal terms with our customer are FOB warehouse,” said Turner. “Our customers pull from our facility. As we consolidated our warehouses it made sense to provide this facility for our customers, especially since we were achieving better transit time with the all-water service.”

Off-loading ocean cargo at Norfolk, which Johnson Electric did for a few months last year, was a strategy designed to circumvent congestion at West Coast ports. Adding those costs with land transportation, Johnson Electric calculated that it was achieving better transit times and saving on transportation costs by diverting its Chinese cargo through the Panama Canal to Virginia. That situation did not last long, however.

“Within the last year, the situation has changed in that the all-water freight rates have increased quite a bit,” said Turner. “Now the all-water route does not provide a definitive cost advantage.”

Johnson Electric still finds it advantageous to position product on the East Coast, however, for the sake of customer service. In addition, the Virginia location provides the company with the option of diverting ocean cargo to Norfolk should circumstances warrant.

“Our carrier contracts are set up so that we have rates to the West Coast or to Norfolk,” said Turner. “If we see that there will be significant congestion coming through the West Coast ports, we can see if going with the all-water service will improve transit time.”

Turner described the East Coast facility as a “release valve” and the job Evans performs for Johnson Electric as “outstanding.” In addition to warehousing, Evans also provides Johnson Electric with testing, sorting, and repackaging services. “Their philosophy is based on the idea of partnership,” said Turner.

That type of relationship exemplifies trends in modern warehousing and logistics, according to Leslie Ajlouny, vice president of business development at Evans and immediate past president of the Warehousing Education and Research Council.

Evans started in warehousing, Ajlouny explained, but has since branched out to provide value-added services such as quality inspection, sorting, testing, reworking, and repackaging. One unit of the company, Evans Logistics, also provides transportation management services.

Changing industry

WERC is a 29-year old, 360-member industry group based Oak Brook, IL. As immediate past president of that organization, Ajlouny has had a bird’s eye view of industry trends. “Over the last several years there has been a focus on expanding services and providing value-adds to existing customers,” she said.

Globalization has also affected warehousing and distribution as shippers look to partner with companies that provide integrated services. As a result, she said, “in the last several years, there has been a lot of integration and consolidation in the industry. Big freight forwarders are also becoming warehousing providers.”

As a result, the distinction between different kinds of logistics providers is becoming blurred, according to Ajlouny. “We are seeing fewer companies just doing one thing and more that do it all,” she said. “But we still see value in regional expertise. For example, in southern Michigan, we are considered one of the leaders. We know the area, we have history there, and we have great partners in labor and real estate and that brings real value.”

All of which plays into yet another logistics trend, that of the 4PL, or fourth-party logistics provider. In this case, the global giants are partnering with smaller regional providers as part of their integrated solutions. “These solutions provide the best of both worlds, a

single point of control and partnership with regional providers that provide regional expertise,” according to Ajlouny.

Becoming part of 4PL networks has been a conscious part of Evans’ growth strategy for the last five years, and it is “working well,” according to Ajlouny. “We have become part of the 4PL world through partnerships with Ryder and Schneider Logistics,” she added. “They maintain contact with the customers and provide the technology for visibility. We provide local services like crossdocking and quality inspection. We have become part of their solution and our former competitors are now our customers.”

As for the Suffolk, VA facility, Evans has already outgrown it. Ajlouny expects the company to move to a 300,000 square foot facility, triple the size of the current one, during the first quarter of 2007.

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